

U.S. Embassy - Skopje

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AVERAGE MONTHLY NET-WAGE IN AUGUST 11.665 DENARS

Average monthly net-wage paid per worker in the Republic of Macedonia in August 2002 is 11.665 denars. Nominally, it is by 1.6 percent higher than in July. However, in real terms it decreased by 1.5 percent. On annual basis, the average monthly net-wage in August 2002 realized nominal and real growth of 10.3 percent and 9.8 percent respectively. In August 2002, 24.6 percent of the workers in the country have not received regular wage.

CONCLUSIONS FROM SEE ASSOCIATION CONFERENCE OF INFORMATION TECHNOLOGY

The Macedonian Association of Informative Technology Companies (MASIT) to the Macedonian Chamber of Commerce organized the first regional conference of South East European Information Technology Association. MASIT informed the public of their goals and conclusions at Wednesday press release.

President of the Regional Cooperation Information Technology to South East European Information Technology Association - SEEITA, Petar Indovski, said the conference held from October 31 to November 3 was a promotion of regional cooperation in IT-sector. Its goal was to introduce new business contacts, to define standards for mutual presentation and cooperation with EU partners. The most important document signed at the conference was Memorandum for Foundation of IT-Associations of Southeast Europe. Certification and quality control, electronic commerce and software piracy were also issues discussed at the conference.

US EMBASSY PRESS RELEASE

A four-year project, funded by the United States and designed to increase the competitiveness of Macedonia businesses - domestically, regionally and internationally - with the ultimate aim of increasing economic property in Macedonia has begun, the US Embassy in Skopje said in a press release.

The project, entitled "Macedonia Competitiveness Activity", is administrated by the US Agency for International Development (USAID), which funded nearly US\$ 273 million development projects for Macedonia. The "Macedonia Competitiveness Activity" will encompass a wide range of business related economic pursuits ranging from data analysis, the development of industry clusters and overall professional support for business initiatives.

US Ambassador Lawrence Butler praised the initiative as an important step toward bolstering the competitiveness of Macedonia businesses and an important factor in helping to create a vibrant economy. "Economic prosperity is an essential element in building and sustaining a strong democracy, and I am pleased that the Macedonians, in partnership with USAID American on-site experts, will have an opportunity to increase their exports," Butler said.

A key component of this initiative will be reestablishment of the Macedonian National Competitiveness Council (MNCC). The MNCC, which will be comprised of Macedonia's foremost businesses, community and government leaders, industry executives and others, will develop strategies, methods and plans by which to assist Macedonian businesses in the promotion and export their products, goods and services.

USAID Director Dick Goldman reiterated the importance of the project, saying that Macedonia's competitiveness in the region and internationally is vital to expanding Macedonia's economy. "The 'Macedonia Competitiveness Activity' is a comprehensive approach to supporting and expanding businesses, offering coordinated strategic business applications that are designed to increase the market share of participating industries."

Goldman also noted that experienced American experts in the fields of business had been recruited to support the project. Booz Allen & Hamilton will lead a team of international consulting experts. The team includes "On-the-Frontier", a prominent worldwide consulting business, specializing in market exports in emerging democracies.

FIFTH CEI SUMMIT ECONOMIC FORUM HELD IN MACEDONIA

The Fifth CEI Summit Economic Forum took place in Skopje, Macedonia on November 13-15, 2002. The heads of government of Italy, Ukraine, Slovakia, Bosnia & Herzegovina, and Macedonia were among those who attended

the Summit. Approximately 1,000 businessmen, government and non-government representatives, visitors and journalists also participated. Some 40 specialized events focused on five major areas: institutional and business development, infrastructure strategies and projects, technology in industry, private sector investment projects, and finance.

The main message that CEI countries sent at the end of the Fifth CEI Summit was that they will decisively respond to violations of the rule of law, to the dangers of ethnic intolerance, and to social problems caused by poverty and unemployment. In the final declaration, the heads of government and delegations of CEI member countries welcomed the region's progress in establishing stable democratic institutions, and expressed satisfaction with regional progress in implementing EU-mandated reforms. They also emphasized cooperation in the fight against international terrorism, organized crime, arms and narcotics trafficking, human trafficking, and illegal immigration. They welcomed the decision of the European Council for admission of some CEI countries into the EU in 2004, and expressed faith that the process of EU enlargement would continue.

The Economic Forum opened with the panel "Focus on Macedonia," at which Minister of Finance Gosev and Minister of Economy Filipovski spoke. Gosev emphasized three main strategies:

- Sustainable economic growth, with a focus on reducing unemployment and poverty;
- Anti-corruption; and
- Improving security.

He laid out the government's macroeconomic policy, which will also focus on attracting foreign direct investment, reducing tax evasion, and fighting money laundering and terrorist financing.

Filipovski said Macedonia will support regional economic cooperation. He said Macedonia would focus on restarting loss-making companies, developing the small business sector, and attracting foreign direct investment.

All CEI countries made presentations about their economies. There were also discussions on investment programs and the business climate in South East Europe, project opportunities in infrastructure, regional financial cooperation, the role of government and central banks, pension reforms, privatization, SME facilitation programs, the role of international financial institutions in CEI countries, EU enlargement, and

regional integration, among others. There was also a Youth Forum and a meeting of the Presidents of Chambers of Commerce.

Macedonian Prime Minister Branko Crvenkovski in his introductory speech said that initiatives like CEI contribute to peace, stability and democratic development of the whole region. He reiterated that Macedonia is serious about NATO and EU membership. As to the economy, he conveyed the GOM's determination to deal with corruption and create a positive economic environment.

Italian Prime and Foreign Minister Silvio Berlusconi, leader of CEI's biggest donor country advocated Eastern Europe's integration into EU and NATO. He underlined that cooperation in the framework of CEI will enhance the region's economic development and stability. He also lauded Macedonia's one-year CEI presidency and successful organization of the fifth Summit. Berlusconi said Italy wants to be the main sponsor of CEI region's reconstruction and development. For that purpose, he announced a 150 million euros assistance package that the Italian Government approved by a law last year. He added that most of it will be used for selected projects in the Balkan.

"Summit's final declaration is a political document, directing the cooperation of CEI member countries for the next year," Director of CEI Executive Secretariat Harald Kreid said after the meeting. According to him, CEI activities in the course of last year became more specific and several financial funds were created for financing the projects.

"ALKALOID" SHARES TO BE PUT ON OFFICIAL STOCK EXCHANGE MARKET

Pharmaceutical producer "Alkaloid" from Skopje signed an agreement for demand with the Macedonian Stock Exchange, thus putting its shares at the official stock exchange market from November 14. With the demand at the stock exchange, "Alkaloid" is to pay only 50 percent profit tax in the following three years.

As stated by the director of the Macedonian Stock Exchange Evgenij Zografski, "in this way, the company signals its shareholders and potential investors that it implements the principles of corporative management, which is transparency in the management and control of conflicts and interests among investors". This step opens possibilities for dual putting on demand at some of

the world markets, and it creates a domestic long-term investment base that will be the prerequisite for entrance of foreign investments. As informed by the stock exchange director, this is the first complete request for putting on demand, while two or three shareholders companies are about to do the same very soon.

"This move is part of the long-term development strategy of the company", "Alkaloid" general director Trajce Mukaetov stated. According to him, the following step will be the linking with some foreign stock exchanges, followed by concrete steps in the direction of work improvement.

LEMIERRE: EBRD TO INVEST ADDITIONAL EURO 25 MILLION IN MACEDONIA

So far, the European Bank for Reconstruction and Development (EBRD) has invested Euro 275,7 million in Macedonia. "EBRD will allocate over Euro 50 million for the next year projects in Macedonia," EBRD President Jean Lemierre said at a press conference, held within the CEI Summit.

No Government decisions are needed for allocation of the funds for developing the private business. However it has to decide on the construction of Skopje ring road, the pipeline Macedonia-Bulgaria and the energy sector modernization. Decisions of the Macedonian Government, the Macedonian National Bank and EBRD will be also necessary for establishment of the Micro Financing Bank.

PRIME MINISTER CRVENKOVSKI MEETS WITH TRADE UNION FEDERATION PRESIDENT MURATOVSKI

The social contract which includes solutions for number of social and economic problems will be soon signed by the Government and the Trade Union Federation, although certain compromises will be made in regard to the timeframes for adoption of certain laws, which does not include the Law on bankrupt companies, President of the Trade Union Federation Vanko Muratovski said after the November 18, meeting with Prime Minister Branko Crvenkovski.

"I hope that the social contract will be signed soon. Its contents are reviewed in the ministries of finance, economy, and labor and social policy, and starting from today it will be analyzed by the IMF and the world Bank representatives," he said. In his opinion, the signing

of the contract is not disputable; however there would be certain changes in regard to certain laws.

"There will be no compromise about the Law on bankrupt companies and I believe that after the adoption of the Law on the budget it should be adopted despite the certain problems with the IMF and the World Bank. We might however make certain compromises in a sign of good will, i.e. this Law to be applied only for the bankrupt companies which are on the list of the Ministry of economy," he explained.

Muratovski and Crvenkovski agreed in period of two to three weeks a socio-economic council to be established. This institution should serve as pillar for the resolving of the issues in that field as well as for the adoption of the systematic laws that tackle the workers' interests.

MINISTER GOSEV MEETS HEAD OF IMF MISSION

On November 18, the Macedonian Government and the International Monetary Fund (IMF) Mission started official negotiations for an arrangement, intended for restructuring the loss-making companies in which the government is dominant owner, Finance Minister Petar Gosev said. After the meeting with IMF Head to Macedonia Franek Rozwadowski, Gosev said that the privatization process should be reviewed regardless of the decision on structural reforms.

IMF Mission will analyze the situation and together with the Government will define the financial policy. "The mission aims to review the budget's execution, the realization of monetary policy and implementation of structural reforms in order to determine the future activities," Gosev said. Rozwadowski said that this visit was focused on the new stand-by arrangement. "The details about the arrangement are yet to be discussed," Rozwadowski said.

BRITISH PARLIAMENT RATIFIED MACEDONIA'S STABILIZATION AND ASSOCIATION AGREEMENT

On November 20, the British Parliament ratified the Stabilization and Association Agreement (SAA) between the European Union and its member states and Macedonia, the British Embassy to Skopje announced. Following the ratification, British Minister for Foreign and Commonwealth Affairs Denis McShane said that SAA set out Macedonia's path to becoming fully-fledged member of EU.

"Full implementation of SAA provisions will be central to Macedonia achieving its aspirations of a closer relationship with EU and its ultimate goal of EU membership," McShane assessed.

ILLEGAL IMPORT OF 21,500 VEHICLES IN MACEDONIA IN 2002

A total of 21,500 used cars have been illegally imported in Macedonia in the first 9 months of 2002, with a total turnover of almost €120 million. However, the state has not registered a single individual that works illegally, representatives of the group of enterprises that carry out turnover of motor vehicles stated at a press conference in the Business Chamber on November 21. "This is a number 4 times larger than the 4,873 vehicles that have been legally imported by the registered companies. The same refers to the realized income, which amounts to €83 million", Simeon Stankovski from "Makkar" stated. According to him, the import of used cars is carried out by physical entities that are not registered and do not pay taxes, except the personal income tax as individuals.

GERMANY GRANTS € 2.5 MILLION FOR ENVIRONMENTAL AND MUNICIPAL PROJECTS

Macedonian Finance Minister Petar Gosev and representative of the German Ministry of Economic Cooperation and Development Leo Kreuz signed on November 22, a Protocol, according to which the German Government has granted Macedonia € 2.53 million for realization of various projects. The assistance is mainly intended for environmental projects and for offering consulting services in the decentralization process, support of the market economy development, harmonization of the Macedonian legislation with the European one and the economic reforms.

"In the past eight years, the German Government has provided € 128 million to Macedonia, out of which € 100 million were investments and the rest was for consulting services. However only ten percent were realized," Kreuz said. He reminded that transparency was necessary in realizing the projects and using the finances.

A credit agreement amounting to € 6.6 million for realization of South Vardar irrigation project was also signed. The reimbursement period will be 40 years, with grace period of ten years and annual interest rate of 0.75 percent.

GOVERNMENT WILL NOT GRANT FINANCIAL SUPPORT TO COMPANIES

According to Minister of Labor and Social Policy Jovan Manasievski, apart from the salary paid to "Sasa" strikers, the Government will not grant any other financial support. "There are no legal grounds for the government to grant financial support to the companies for settling the salaries' debts, and on the other hand the budget is empty," he said. The budget's deficit is still not determined, but certainly it will be more than several billion denars, Manasievski added.

He urged the workers to cancel the strikes, because they would not resolve the problem. "The main problem is that 'Zletovo' smelter does not buyout the ore. Therefore, economically it is not logical to grant finances, because the enormous ore supplies would be just increased," Manasievski pointed out. According to him, the Government cannot permanently support the loss making companies. "We want to send a clear message to the other companies that the Government is not an institution in charge for allocating the money to the enterprises," Manasievski said.

The Government has been working on finding short and long-term solution for "Sasa" and "Zletovo" and the "Zletovo" smelter, because both mines and the smelter should work as one system. "The short-term solution may be seek in selling 9,000 tones of concentrate reserves that will provide sufficient funds for payment of due salaries," Manasievski said. The long-term solution required detailed analysis on the situation in the mines and the smelter, Manasiveski said.

Referring to privatization of the publishing house "Nova Makedonija", Manasievski said that the expert group in charge of the revision "has found many irregularities and violation of the selling agreement by both parties." The revision was not aimed to make "Nova Makedonija" a state-owned house again, Manasievski said. "If the revising process leads to breaking of the agreement, the Government will open a new bid for the publishing house as soon as possible," he added. He also sent a message to foreign investors, saying that the new Government guarantees fair conditions for buy-out of state-owned properties.

MACEDONIA - IMF NEGOTIATIONS

Macedonia and the International Monetary Fund (IMF) completed the first round of negotiations on new stand-by arrangement on November 26. The arrangement is to be

signed at the next IMF visit to Macedonia after January 20, 2003. This round of negotiations focused on the economic and monetary policy. Macedonian Finance Minister Petar Gosev and Head of IMF Mission Franek Rozwadowski told the press conference that the budget's gap in 2002 was 3.5 - 4 billion denars.

Gosev noted that the budget deficit was a result of unplanned expenditures of former Government, adding that there was huge disparity between the planed and realized public expenditures. According to Gosev, it was agreed to cover the deficit by increasing the savings in the ministries and the Government.

The Finance Ministry estimates real GDP growth in 2002 to be 0.5 percent, while IMF thinks it will be around 0. Gosev announced GDP growth of around three percent in 2003, while the inflation rate would not be higher than 3 percent. IMF thinks that the overall budget expenses should not exceed Denar 8.5 billion. Gosev said that the budget income would be further reduced with the cancellation of the tax on financial transactions. So far, the income realized from this tax has amounted to around Denar 6.3 billion.

"The Government will not increase taxes and there will be less burden on the economy next year," Gosev said, adding that the Ministries of Defense, Interior as well as Labor and Social Policy should save most of their funds.

Rozwadowski said they have agreed on the macroeconomic policy for 2002 and 2003 and defined policy's objectives and measures for signing the arrangement. According to him, the funds from the Donor's Conference were not lost and it was expected some of these funds to be obtained next year.

OCTOBER PRICES OF INDUSTRIAL PRODUCTS HIGHER BY 0.4 PERCENT

The price index of the industrial products in October has increased by 0.4 percent compared to September, and by 1.3 percent relative to October 2001, Statistics Bureau announced. Analyzed by groups of products, the price index of energy increased by 2.1 percent and of the processing industry's products by 0.5 percent, while the price index of non-durable retail products decreased by 0.1 percent on monthly basis.

FIVE JOINT STOCK COMPANIES TO OFFER SHARES ON MACEDONIAN STOCK EXCHANGE

"EMO" - Ohrid, Cable Factory "Negotino" - Negotino, "Fusteralko Borec" - Bitola, "Tehnokomerc" - Skopje and "Komeracijalno-investiciona banka" - Kumanovo were allowed on November 27, to offer their shares on the Macedonian Stock Exchange.

"EMO" - Ohrid has 347,248 common and 20,393 preferred shares at nominal value of € 30. Cable Factory "Negotino" - Negotino has 164,038 common and 5,962 preferred shares at nominal value of € 25.56. "Fusteralko Borec" - Bitola has 84,302 common and 2,573 preferred shares at nominal value of € 50. "Tehnokomerc" - Skopje has 19,934 common and 2,066 preferred shares at nominal value of € 51.13, and "Komeracijalno-investiciona banka" - Kumanovo has 128,655 common and 6,097 preferred shares at nominal value of € 45.

FORMER FINANCE MINISTER GRUEVSKI CLAIMS THERE IS NO "BIG HOLE" IN BUDGET

Former Minister of Finance Nikola Gruevski rejected the accusations of the current government that it inherited "a big hole" in the state Budget. "When the new Government was appointed, the execution of the budget was 84 percent, which is almost ideal", Gruevski stated at a press conference.

According to him, there is a lack of funds in the Budget, but as he said, "the former Government is not responsible for this, because there were unpredictable situations, for which budget funds were spent". According to Gruevski, this situation could be solved with a Budget rebalance, especially, "due to the fact that the incomes in the Budget are slightly greater than the envisaged".